

OCA 88-2898



**CENTRAL INTELLIGENCE AGENCY**

Office of Congressional Affairs

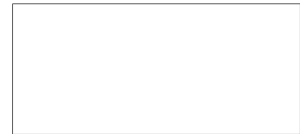
Washington, D.C. 20505

Telephone: 482-6136 17 Aug 88

**TO:** Select Committee on Intelligence  
United States Senate

Attn: Marvin Ott

In  absence, I am forwarding the  
sanitized version of the article on China's  
Investment in the United States which you  
requested.



OCA FILE SSCI

FORM 2-86 **1533** OBSOLETE  
PREVIOUS EDITIONS.

(40)

### **China's Investment in the United States Increases**

China plans to add to its US holdings by acquiring a 50-percent stake in the West Coast oil refining and marketing operations of a Houston-based US firm, according to US press reports. In recent months, China has purchased an aircraft component factory in Seattle, a Delaware steelplate mill, and controlling interest in a Pittsburgh firm that produces half of the world's steel-rolling machinery. China already is a major shareholder in a California textile mill and a disk-drive factory, and has invested in a timber company in Washington state, among others. The total value of these investments is unknown. Despite its status as a capital-poor developing country--foreign investment funds totalling \$8.5 billion have flowed into China since 1979--China may be able to earn a better short-term return by investing overseas than by investing in China. The textile mill, oil refineries, and service ventures such as restaurants earn foreign exchange; in some cases, the investments enable China to gain access to the US market--for example by circumventing US textile import restrictions, or by taking control of an existing distribution network, as China will through the refined oil marketing operation. China's US investments also reduce foreign exchange costs for items the country must import, such as timber and steel. In addition to these financial benefits, China also gains access to Western production know-how in such US ventures as the disk drive, aircraft component, and steel projects.

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2012/10/04 : CIA-RDP90M00005R000900120015-9

12 August 1988

MEMO FOR: Office of Congressional Affairs

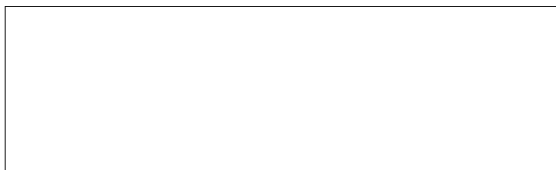
VIA: Associate Deputy Director for  
Intelligence

Director of East Asian Analysis *SA*

SUBJECT: Congressional Information Requirement

Attached is a sanitized version of our  
5 August NID Note on Chinese investment in the  
United States. Marvin Ott, of the Senate  
Select Committee on Intelligence Staff, has  
requested this for passage to a Senator.

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Chief, Economic Assessments Branch  
China Division

Attachment:  
As stated

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